City of Edmonton

HOUSING MARKET REPORT 1985

PLANNING AND
BUILDING DEPARTMENT

March 1985

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City of Edmonton

HOUSING MARKET REPORT 1985

Planning and Building Department
March 25, 1985

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EXECUTIVE SUMMARY

FINDINGS

Population

- Annual population growth will average 1% between 1985-1989 compared to 2.4% during 1976-1983.

Households

- Fewer in-migrants, combined with the aging of the population bulge in the 20-30 year age group created over 1976-1982, will result in a lower rate of new household formation.

Housing Starts

- In 1984, there were 1877 housing starts.
- However, the absorption of new housing totalled 4222 units in 1984, including 2637 single family/semi-detached units, indicating continued strength in demand.
- The majority of starts in 1984 occurred in the West, Southwest and North sectors of the City.

Unit Types

- In 1984, 93% of housing starts were single family/semi-detached units.
- Demand will be primarily for single family/semi-detached units through 1986, with less emphasis on apartment units.

Cost of Housing

- Average house prices have fallen 20% in the last two years to approximately $72,000 in late 1984.
- As a result of lower purchase prices and lower interest rates, home-ownership is more affordable than in previous years.
- Rents are expected to remain low for several years while house prices should stabilize in 1985.

Real Estate Activity

- Although total listings decreased slightly in 1984, the sales to listing ratio has increased in both 1983 and 1984.

Rental Housing

- The rental vacancy rate has fallen from 11.4% in April 1984 to 9.5% in October 1984; average rents have fallen by 9% in the last two years.

Land Supply

- The supply of subdivided and serviced lots combined with the projected lot servicing program is adequate for at least two years. Absorption rates should be monitored closely to avoid a possible shortage of serviced lots in the future.

Housing Starts Forecast

- In 1985, housing starts are forecast to be approximately 2000 units.
- The forecasts for future years are:
  1986 - 2500 units
  1987 - -1989 3900 units per year
- Persons per occupied housing unit will decline slightly from 2.63 in 1984 to 2.60 in 1989.

RECOMMENDATIONS

Housing Starts

1. That the housing forecast and analysis in the City of Edmonton Housing Market Report 1985, including the following starts forecast, be accepted as a guideline for planning and budget purposes throughout the Administration and that a further review be carried out in six (6) months on the 1985 projections.

   1985 - 2000 units
   1986 - 2500 units
   1987-1989 - ± 3900 units per year

2. That the City of Edmonton Housing Market Report 1985 be circulated to the development industry for its information.

3. That the housing start forecasts be forwarded to the Budget Committee for information as part of the budget package.

INTRODUCTION

This report is an examination of the present and future Edmonton housing market and the implications for the City of Edmonton. Within the study, there is a focus on projections and market activity, all in relation to the City's interest in housing and residential land development.

This report has two purposes:

- to provide a consistent analysis and forecast of housing activity for use within the City of Edmonton civic administration;
- to provide housing related data to the development and building industry.

The need for this examination arises out of the considerable turbulence experienced by Edmonton's housing market in recent years. As indicators of this turbulence, housing starts peaked at 14,668 in 1978 and declined by 87% to 1,877 in 1984. Servicing of residential land, as measured in potential dwelling units, declined from 12,094 units in 1980 to 329 units in 1984. Mortgage rates have been high and volatile, substantially affecting the carrying costs of home ownership. Rental vacancy rates went from 1.6% in 1981 to 9.5% in October 1984.

The City is interested in these rapid changes in the housing market for a number of reasons. First, the City has substantial residential holdings and wishes to market its land without adverse impacts on the private housing sector. Second, there are demands for additional municipal services for new suburban housing developments which have cost implications for the City. Finally, in the present economic uncertainty, the City should ensure its policies and activities do not hinder the contribution housing can make to an economic recovery.

PART 1 - HOUSING DEMAND

Among the most significant variables affecting the demand for housing are demographic factors including population, age structure and household changes. This part of the report discusses these variables, examines household formation trends and provides a forecast of the expected number of households and associated housing requirements.

1.1 Population

Past Population Growth

- The City of Edmonton population is estimated to be 564,000 in 1984.
- Over the seven year period 1976 - 1984, Edmonton's population grew by almost 100,000 or an average annual rate of 2.4% (Table 1.1).
- Growth between 1983 - 1984 was estimated to be approximately 4,000 persons or 0.8%.

Population Projections

- The population growth rate to 1989 is forecasted to be approximately 1% per year (see Table 1.2). This increase, although substantial, represents a growth rate of less than half the 2.5% per year increase over 1976 - 1983.
- The fall-off in the population growth rate results from a significant reduction in the amount of the forecasted net in-migration to Edmonton. During 1976 - 81, net migration averaged 7,600 persons per year (Planning Department, 1982). However, with the economic downturn in 1982 - 1983, net in-migration declined to -3,400 persons. The projections in Table 1.2 assume the following net migration per year:

1984	-3000
1985	-1000
1986	-500
1987	0
1988	+500
1989	+1000

- The projection in Table 1.2 assumes constant (1983) birth and death rates.

1.2 Age Distribution

The population age distribution is important from a housing perspective because different age groups generally have differing housing requirements. Young adults in the 20 - 24 age group generally seek rental accommodation while persons in the family formation years of 25 - 34 are usually in search of their first home purchase. Persons in the middle years from 35 to 54 traditionally consider a trade-up in housing quality. (Gruen, et al, 1983, p. 17).

Past Age Distribution

- During 1976 - 1981, 90% of total in-migrants were in the 20 - 34 age group, creating a large demand for rental accommodation and new homes.
- During 1976 - 1983, the 20 - 34 age group accounted for 70% of the total population increase.
- Within this age group, the 25 - 34 category increased by 54,000 people and raised its share of the total population from 16% to 22%. This group created a major bulge in the age structure (Table 1.2).

Future Age Distribution

- The population bulge created in the 20 - 34 age group between 1976 - 1982 will continue to affect household formation and housing demand well into the future.
- Short-term changes to 1986 include an absolute increase of 7,000 people in the 35 - 44 age group, accompanied by an increase in the 0 - 19 age group (see Table 1.2).
- In the mid-term period of 1986 - 1989, the 20 - 24 age group decreases by a further 13,000 people, the population bulge is now in the 25 - 34 group which represents 22% of total population; the bulge also begins to appear in the 35 - 44 age group which increases by 13,500 people.
- As the population bulge passes through the 20 - 24, 25 - 34 and the 35 - 44 age groups respectively, the preceding age group registers a large decline in population.

1.3 Household Changes

With lower population growth and an aging population profile, household growth in Edmonton will be considerably lower than experienced over 1976 - 83 and household characteristics will change.

Past Household Changes

- Between 1976 - 1984, 59,000 new households were created in Edmonton, an average of 8,100 per year, bringing the total number of households to approximately 215,000 in 1984.
- The number of persons per household declined from 2.89 in 1976 to 2.63 in 1983.
- Non-family households in the Edmonton area increased by 136% over 1971 - 1981, while family households increased by 42%.
- These trends were largely the result of increases in the 20 - 34 age group who have a tendency to live in smaller, non-family households.

Future Household Changes

The relationship between the population/age profile and household formation can be explored by a technique which calculates the likelihood that individuals in particular age groups are the head of a household (headship rates). Headship rates are assumed to experience a slight increase to 1986, then stabilize over 1987 - 1989. (Table 1.3).

- In the period to 1986 approximately 1,925 new households will be formed per year and average persons per household will be 2.64 persons per unit.
- In the period from 1986 to 1989 there will be an increase of 3,600 households per year and persons per household will decline to 2.60.
- The projections indicate a significant decline in the rate of household formations:

Period	Average Number of New Households Per Year
1976 - 1983	8,100
1985 - 1986	1,925
1987 - 1989	3,600

- Household formulation projections are combined with an assessment of economic factors to prepare the housing start forecasts in Section 4.

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TABLE 1.1 POPULATION 1976-1984

Year	Population	Increase	Percentage Increase
1976	461,559		
		9,915	2.2
1977	471,474		
		6,592	1.4
1978	478,066		
		13,293	2.8
1979	491,359		
		14,414	2.9
1980	505,773		
		15,432	3.1
1981	521,205		
		30,109[1]	5.8
1982	551,314[1]		
		8,771	1.6
1983	560,085		
		3,915	0.8
1984	564,000		

Source: 1983 Civic Census, City of Edmonton
1984, Planning and Building Department, Population Projections for the City of Edmonton 1984-2001

[1]Includes annexation, 8,719 persons (not including institutional population)

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TABLE 1.2 POPULATION PROJECTIONS AND AGE DISTRIBUTION

Age Group	OBSERVED [1]						PROJECTED [2]			
	1976		1981		1983		1986		1989	
	Number	%	Number	%	Number	%	Number	%	Number	%
0 - 19	160,100	35	145,190	28	149,612	27	158,942	28	165,533	28
20 - 24	59,010	13	74,786	14	74,855	13	68,031	12	54,890	9
25 - 34	74,885	16	112,286	22	128,874	23	130,439	23	132,139	22
35 - 44	51,415	11	60,348	12	69,319	12	75,967	13	89,428	15
45 - 54	48,875	11	50,895	10	53,081	9	51,833	9	53,283	9
55 - 64	33,800	7	38,808	7	42,510	8	45,100	8	45,985	8
65 +	32,920	7	38,892	7	41,834	7	45,788	8	53,455	9
TOTAL	461,055	100	521,205	100	560,085	100	576,100	100	594,713	100

[1]Source: Civic Census, City of Edmonton, various years

[2]Source: Corporate Forecasting Group, Planning and Building Department, City of Edmonton, 1984

Note: Totals may not add as a result of rounding.

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TABLE 1.3 HOUSEHOLD GROWTH 1983 - 1989

Age Group	1983 Population	1983 Headship Rate	1983 Households[1]	1986 Population[2]	1986 Headship Rate[3]	1986 Households	1989 Population[2]	1989 Headship Rate[3]	1989 Households
15 - 24	116,034	.245	28,428	105,918	.246	26,056	91,621	.246	22,539
25 - 34	128,874	.515	66,370	130,439	.516	67,357	132,139	.516	68,184
35 - 44	69,319	.555	38,472	75,967	.556	42,288	89,428	.556	49,722
45 - 54	53,081	.565	29,991	51,833	.566	29,387	53,283	.566	30,158
55 - 64	42,510	.575	24,443	45,100	.577	26,028	45,985	.576	26,487
65 +	41,834	.600	25,100	45,788	.600	27,473	53,455	.600	32,073
TOTAL	451,652	.471	212,804[1]	455,045	.480	218,589	465,911	.492	229,163

[1] Approximate households based on actual population figures.

[2] Planning and Building Department Forecasts, 1984.

[3] Assumes a slight increase in headship rates to 1986 and constant rates through 1989.

PART 2 - HOUSING SUPPLY

This part of the report outlines housing supply components including existing housing stock, new housing additions, housing absorptions, residential demolitions, units under construction, residential land supply and servicing activity.

2.1 Housing Stock

The growth rate in housing stock over 1976 - 1984 (+42%) and households (+38%) has been large and has been considerably in excess of the population increases (+22%), reflecting the trend towards smaller households in Edmonton.

- The total housing stock in 1984 was 226,842 units, comprised of 56% single/semi-detached units, 12% ground related multiple units and 32% apartments.

- The total number of housing starts over 1976 - 1984 in Edmonton was 80,765 or an average of 9,000 units per year (Table 2.1).

- Total starts over 1976-1984 were comprised of 42% were apartment unit starts, 38% single family/semi-detached and 20% ground related multiples.

- Figure 1 shows that residential housing starts have fluctuated considerably from year to year both in quantity and type.

2.2 New Housing Starts

- Housing starts in 1984 totaled 1877, a 63% decline from the 1983 total (Figure 2).

- The 1984 starts were overwhelmingly (93%) single family/semi-detached units, with 6% ground related multiples and 1% apartments.

2.3 Housing Absorption

Housing absorptions are the number of new units which are occupied each year.

- Housing absorptions in 1984 (4,222 units) were higher than housing starts (1,877 units). Housing absorptions were higher than starts because the inventory of units which are under construction and units which are completed but unoccupied has been steadily dropping over the last two years.

- Housing absorptions include all new housing units that are occupied in a year. The number includes all housing completions in a particular year plus (or minus) the change in housing units which are completed and unoccupied between January 1st and December 31 of the year.

- Single family/semi-detached unit absorptions for 1984 were 2,637, while starts were only 1,750 (Table 2.2). Total housing absorptions of single family/semi-detached units over the last three years have been consistently between 2600 - 3000 units per year. If these absorptions represent a consistent level of demand, housing starts in 198[illegible] will have to be higher than 1984 because the inventory at December 31, 1984 of units which are under construction (281 single/semi units) and completed, yet unoccupied (93 single/semi units), has fallen to very low levels.

FIGURE 1
EDMONTON HOUSING STARTS BY TYPE

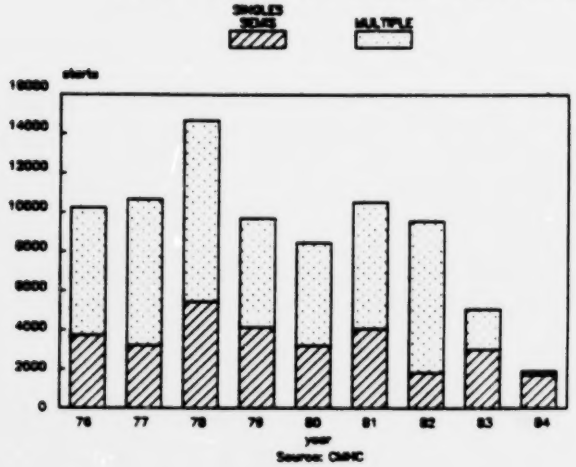


FIGURE 2
EDMONTON MONTHLY HOUSING STARTS

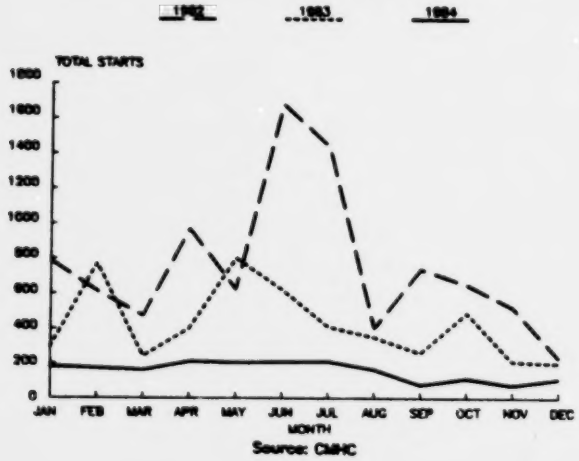
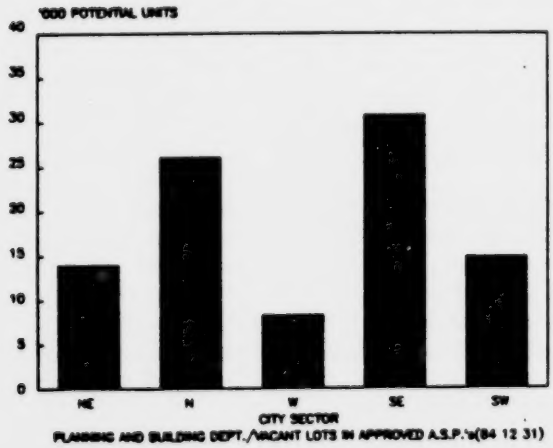


FIGURE 3
TOTAL RESIDENTIAL LAND SUPPLY



2.4 Residential Demolitions

A number of housing starts can be considered as replacement stock for residential demolitions.

- Between 1976-1983 demolitions totaled 3,267 units or 408 units per year average, with 84% single family units.

- Demolitions in 1984 totaled 116 units, 83% of which were single family/semi-detached units.

2.5 Housing Units Under Construction

The number of units presently under construction indicates the volume of units which will soon be on the market.

- Total units under construction in December 1984 was 582 (281 single/semi, 64 row, 237 apartments). This figure has been constantly declining from a high of 7700 units in July of 1982. This decrease is due to the rapid decline in the number of apartment units under construction and the lack of speculative building.

2.6 Residential Land Supply

The supply of vacant residential land in suburban areas is an important aspect of housing supply. This supply is detailed in the Planning Department's Annual Staging Report and summarized in Table 2.3. City sectors are shown on Map 1.

One of the critical aspects of residential land supply is the supply of subdivided and serviced lots for single family units.

- There is a supply of 6,278 of these lots City-wide.

- The supply of subdivided and serviced lots for single family/semi-detached units ranges from 492 - 2,332 units in the various City Sectors.

- The total supply of serviced and unserviced residential land in approved Area Structure Plans is shown in Table 2.3 and Figure 3. The supply of land would potentially support 45,033 single family/semi-detached residential units.

2.7 Residential Servicing

In addition to the supply of subdivided and serviced lots specified in Table 2.3 a number of lots for single family units are serviced each year.

- In 1984, 329 single family lots were serviced compared to 494 in 1983. This activity was considerably less than previous years; for example, in 1980, 3856 single family units were serviced.

- Servicing has virtually ceased, reflecting the industry's desire to reduce the inventory of serviced lots.

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TABLE 2.1 HOUSING STARTS 1976 - 1984

	UNITS							
	Single Family/ Semi-Detached		Ground Related Multiples		Apartments		Total	
	Units	%	Units	%	Units	%	Units	% Change Over Year Previous
1976	3,723	36	2,886	28	3,650	36	10,259	+3.8%
1977	3,207	30	2,347	22	5,097	48	10,651	+37.7%
1978	5,434	37	2,651	18	6,583	45	14,668	-33.9%
1979	4,138	43	1,503	15	4,041	42	9,682	-12.8%
1980	3,191	38	2,072	24	3,183	38	8,446	+24.5%
1981	4,046	38	2,411	23	4,058	39	10,515	-9.2%
1982	1,811	19	1,350	14	6,385	67	9,546	-46.4%
1983	3,003	59	682	13	1,436	28	5,121	-63.3%
1984	1,750	93	116	6	11	1	1,877	
TOTAL	30,303	38	16,018	19	34,444	43	80,765[1]	

SOURCE: Canada Mortgage and Housing Corporation, 1984.

[1]Total housing starts plus 1976 stock will not equal 1984 stock due to a combination of factors including demolitions, functional changes and the effects of the City annexation (which increased the total stock with no new housing starts).

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TABLE 2.2 HOUSING UNIT ABSORPTION

	Completions[1]	Change in Completed and Unoccupied Inventory[2]	Absorptions[3]
1982			
Single/Semi's	2,254	525	2,779
Row/Apartments	7,294	189	7,075
Total	9,550	306	9,856
1983			
Single/Semi's	2,475	537	3,012
Row/Apartments	5,271	875	6,146
Total	7,744	1,412	9,156
1984			
Single/Semi's	2,540	97	2,637
Row/Apartments	1,198	387	1,585
Total	3,738	484	4,222

SOURCE: Planning and Building Department, CMHC figures.

1 Housing completions during calendar year, CMHC.
2 Change in the inventory of units completed but unoccupied (i.e., if inventory went down the figure is positive) CMHC.
3 Include completions and the change in the inventory of completed and unoccupied units.

Note: Numbers may not total exactly.

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TABLE 2.3 **RESIDENTIAL LAND SUPPLY**[1]
(in units)

City Sector (see Map 1)	(1) Subdivided and Serviced	(2) Total Subdivided	(3) Approved ASPs[2] (Unserviced, Unsubdivided Land)	(4) Total[3]
Northeast				
S/S 4	492	492	6,255	6,747
GRMs	2,026	2,026	2,085	4,111
APTs	1,041	1,041	2,085	3,126
Total	3,559	3,559	10,325	13,884
North				
S/S	1,069	1,104	13,941	15,045
GRMs	979	979	4,647	5,626
APTs	651	651	4,647	5,298
Total	2,699	2,734	23,235	25,969
West				
S/S	1,227	1,236	2,187	3,423
GRMs	785	785	729	1,514
APTs	2,485	2,485	729	3,214
Total	4,497	4,514	3,645	8,159
Southwest				
S/S	1,158	1,214	5,931	7,145
GRMs	1,003	1,100	1,977	3,077
APTs	2,373	2,474	1,977	4,451
Total	4,534	4,788	9,885	14,673
Southeast				
S/S	2,332	2,350	10,323	12,673
GRMs	2,777	2,777	3,441	6,218
APTs	8,202	8,407	3,441	11,848
Total	13,312	13,535	17,205	30,740
Total (excluding Inner City)				
S/S	6,278	6,396	38,637	45,033
GRMs	7,570	7,667	12,879	20,546
APTs	14,752	15,058	12,879	27,937
Total	28,601	29,130	64,395	93,525

SOURCE: Planning and Building Department, December 31, 1984

[1]Supply measured in potential dwelling units as of December 31, 1984
[2]Based on potential housing mix of S/S - 60%, GRM - 20%, Apartments - 20% at 15 units per gross hectare.
[3]Includes subdivided and approved ASP.
[4]S/S - Single Family/Semi-Detached, GRMs-Ground Related Multiple, APTs - Apartments.

PART 3 - MARKET TRANSACTIONS/OUTCOMES

A series of outcomes result from the interaction of the supply of housing and the demand by households. Key market transactions are outlined here.

3.1 Real Estate Listings and Sales

The volume and type of market transactions are illustrative of the supply of and demand for housing. In general, this element of the market transactions showed a weakness in the market during in 1982 with a slow recovery; however prices have continued to fall.

The following residential real estate listing and sales highlights are based on Edmonton Real Estate Board data. This data is Multiple Listing Service (MLS) and does not include exclusive listings or private listings. Therefore, it is only a partial indicator of the total number of units offered in the market. However, the MLS data is the only available comprehensive source of listings.

- Total residential listings for 1984 were 17,955 and sales were 6,002 for a sales to listing ratio of 33%;
- Although total listings are down from recent years, the sales to listing ratio has risen steadily from the 1982 low of 25% (Table 3.1).
- Average sales price has fallen steadily from the 1981 high of $91,438 to $79,306 in 1984.

3.2 Rental Vacancy Rate

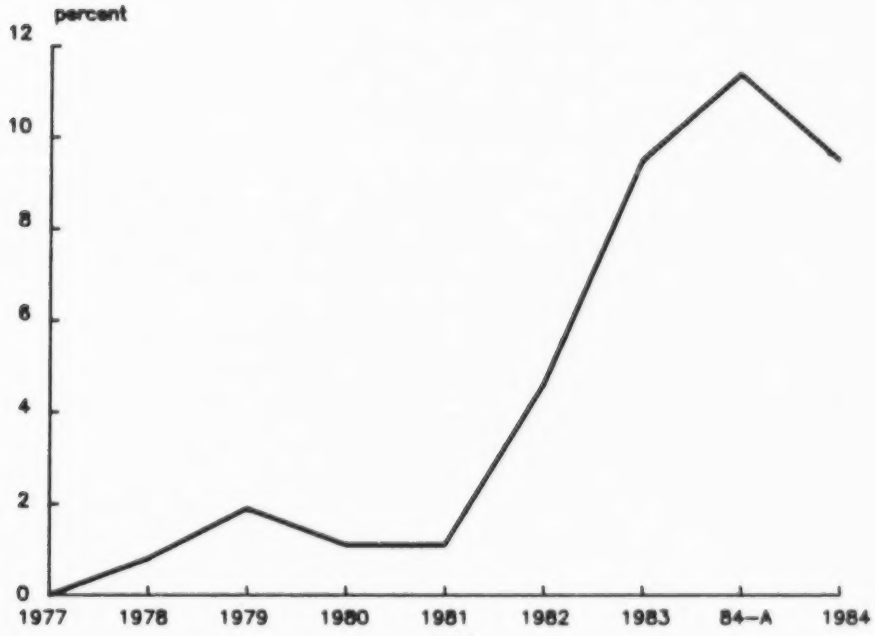
Rental vacancy rates have risen dramatically over the last years but moderated in the last half of 1984.

- Rental vacancy rates rose from a low of 1.6% in October of 1981 to 11.4% in April of 1984, then declined to 9.5% in October of 1984 (Table 3.2 and Figure 4).
- The vacancy rate varied greatly across the city in October 1984 from 2.8% in the University area to a high of 20.2% in the northeast and northwest of the City.
- The rental vacancy rate (October 1984) also varied by apartment type:

Bachelor	8.6%
One Bedroom	10.1%
Two Bedroom	9.0%
Three Bedroom	9.0%

Landlords, due to high vacancy rates, have become very competitive offering gifts, bonuses, one month free rent or lower rent. Virtually no apartment starts occurred in 1984 and apartment units under construction declined to 237 in December 1984. Although vacancy rates are expected to remain high through 1985, the rate will not be adversely affected by additional units coming on stream.

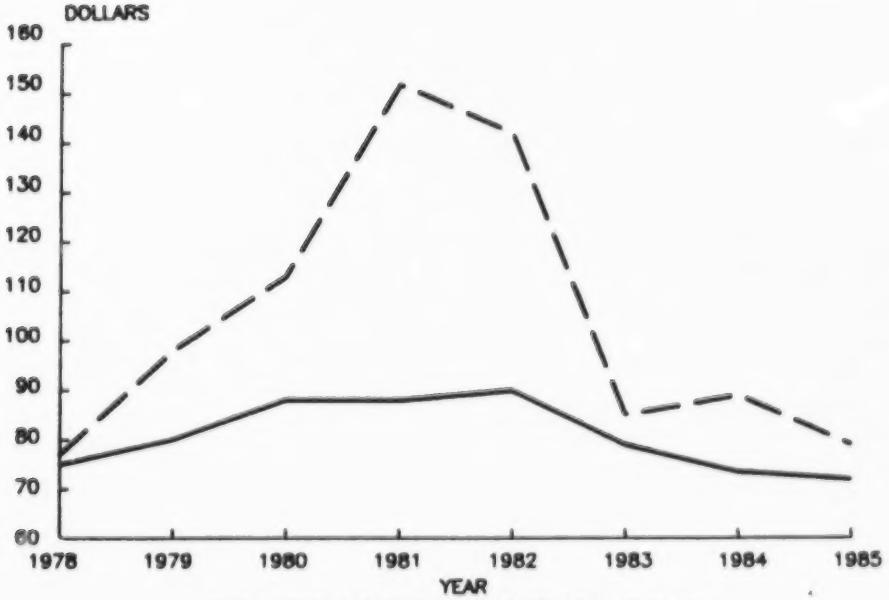
FIGURE 4
EDMONTON RENTAL VACANCY RATE 1977–1984



OCTOBER OF EACH YEAR(APRIL 1984 ALSO SHOWN–84A)

FIGURE 5
HOUSE PRICE AND CARRYING COSTS 1978–1985

HOUSE PRICES '000 DOLLARS — CARRY COSTS '00 DOLLARS



ROYAL TRUST/HOUSING MARKET REPORT–TABLE 3.4

3.3 Housing Costs

This section deals with the price of housing, both rental and ownership, the carrying costs of ownership and the relative affordability of housing compared to income.

Price of Ownership Housing

After years of steady increase, the price of housing has declined continually since 1982.

Table 3.3 shows the fluctuation in sales prices for two typical Mill Woods houses between 1978-1984 (Royal Trust, Survey of Canadian House Prices). Mill Woods was chosen because of data availability and because the houses represent typical Edmonton homes in the modest price range. The Royal Trust data shows:

- The price of a detached bungalow rose steadily over 1978-1982 and then declined by 20% to $72,000 in October of 1984 (Figure 5).

- The price of the more spacious detached two storey home peaked in 1981, then also declined by 23% to $98,000 in October of 1984.

- Similar house price declines were experienced in other Edmonton residential areas. Although Royal Trust figures show that house prices in much of Canada have started to increase slightly, Edmonton prices as of October 1984 are continuing to decline.

Virtually any person who purchased a home between 1979-1982 would lose money if they attempted to sell in the current market. The implications of these house price declines and possible equity losses are significant for two reasons. First, homeowners who have suffered a loss on their equity would be reluctant to invest more money in housing, particularly through the upgrading process. Second, those in rental accommodations would be reluctant to enter the ownership market until they are convinced prices have at least stabilized.

Price of Rental Housing

- Rent for an average two bedroom apartment in the Edmonton area rose from $253 per month in 1976 to a high of $496 in 1982 or by 96% (CMHC, Rental Vacancy Survey October, 1983).

- Rents as of October 1984 have declined to an average of $450 per month. The average rent for other apartment types in October of 1984 were:

Bachelor	$298
One Bedroom	$378
Two Bedroom	$450
Three Bedroom	$506

- Average rents April - October 1984 dropped between $26 - $57 per unit. These average rents do not include rental extras such as free month's rent.

Ownership Carrying Charges

The cost of housing discussion provides additional insights when it is expanded to monthly carrying charges. Table 3.4 and Figure 5 illustrate expenses and carrying charges for the Mill Woods bungalow over 1978-1984. Carrying charges include the house price, 10% down payment, mortgage insurance, mortgage rates (3 year term) and taxes.

- Monthly carrying charges for a Mill Woods bungalow on January 1, 1985 averaged $788 per month.

- Between 1978 - 1981 carrying charges rose 98% to $1518 per month; since then carrying charges have fallen 51% to $788 per month (Figure 5).

- Carrying charges are very sensitive to interest rate fluctuations. With fixed house prices, down payment and taxes, a 1% change in interest rates causes carrying charges to increase or decrease by $53 per month on the sample house.

Affordability

This section deals with the cost of housing in relation to income. Data discussed includes median household income in Edmonton, the number of households that can afford different types of accommodation and average shelter costs.

Table 3.5 shows median household incomes in Edmonton and the Canadian consumer price index. Observations on the changes between 1978 and 1983 include:

- Median household income increased 74% to $31,000 in 1983, but decreased slightly to $30,000 in 1984.

- The consumer price index increased 62% over the same period.

A measure of affordability can be calculated by translating ownership or rental costs into yearly rates and assuming that 30% of the total gross income is spent on shelter. Using this procedure, the number of Edmonton households able to afford comfortably the shelter type can be calculated as follows:

- Monthly ownership costs of $788 (1985 costs, see Table 3.4), would require a household income of $31,520. Approximately 45% of Edmonton households could comfortably afford a Mill Woods detached bungalow;

- A two bedroom rental apartment costing $450 per month would require a household income of approximately $18,000; 75% of Edmonton households could afford this shelter; and

- The median shelter cost in Edmonton is $408 per month (Population Research Laboratory, 1984) which would require an income of $16,300 per year and can be afforded by approximately 85% of Edmonton households.

These figures are approximate calculations; alternate housing preferences and financing arrangements provide a wide array of shelter financing options. Shelter is also available in Edmonton at much lower prices in the form of town houses (Castle Downs, $48,000 or Clareview, $44,000), condominium apartments (Castle Downs, $17,500 or Clareview, $16,000) and rental walk-ups.

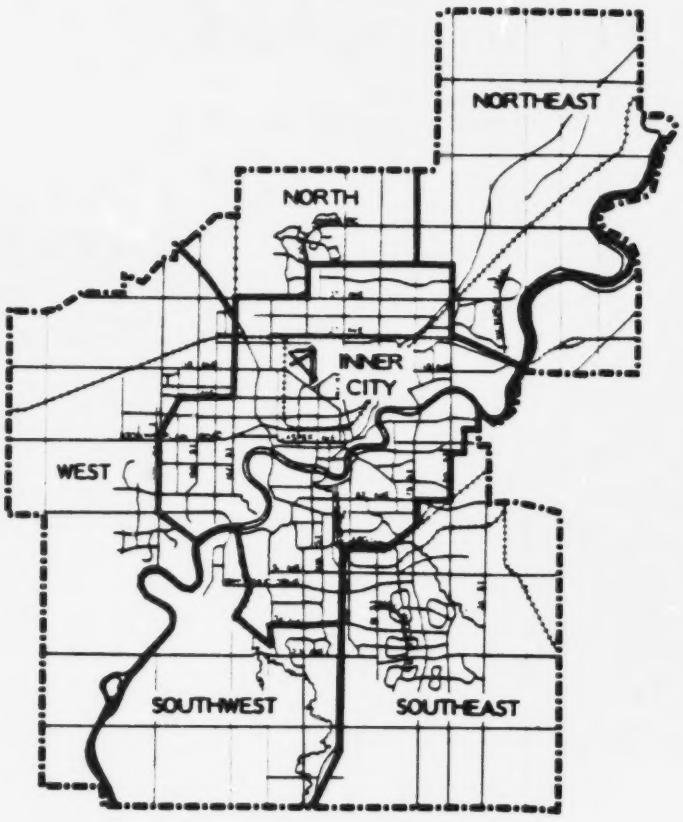
These shelter and financing options combined with available assisted housing and recently lower shelter costs make housing a generally affordable commodity in Edmonton.

3.4 City Sector Profile

Table 3.6 summarizes housing market activity for each of the six city sectors. Map 1 outlines the boundaries of the sectors. Highlights are:

- Between 1976 - 1983 the Southeast Sector grew faster by far in population than any other district (an average of 6,900 persons per year), whereas the Inner City lost 11% of its population over the same period.
- In 1984 the Southeast Sector grew by only 2,600 persons.
- Average house prices have fallen between 6.3 - 10.3% over 1983 - 1984.
- Housing starts in 1984 show that the West Sector had the most starts followed by the Southwest and North Sectors. The Southeast sector lost its popularity in 1984.

MAP 1 CITY SECTORS



SOURCE: General Municipal Plan Map 5.1

City of Edmonton

TABLE 3.1 REAL ESTATE LISTINGS AND SALES 1981 - 1984

	Total Listings	Total Sales	Sales to Listing Ratio (%)	Average Price ($)
1981	18,293	7,466	41%	91,438
1982	19,451	4,873	25%	91,405
1983	19,056	5,605	29%	85,667
1984	17,955	6,002	33%	79,306

SOURCE: Edmonton Real Estate Board
"Multiple Listing Service" listings only

TABLE 3.2 EDMONTON AREA[1] RENTAL VACANCY RATE

Year	Month	Vacancy Rate (in percent)[2]
1977	April	0.2
	October	0.1
1978	April	0.8
	October	0.8
1979	April	3.0
	October	1.9
1980	April	2.8
	October	1.1
1981	April	2.5
	October	1.1
1982	April	3.4
	October	4.6
1983	April	7.5
	October	9.5
1984	April	11.4
	October	9.5

SOURCE: CMHC

[1]Edmonton Area is the CMHC Edmonton office area which includes the area of the Province north of Edmonton but is representative of the City of Edmonton situation.

[2]CMHC survey includes private buildings containing 6 units or more.

TABLE 3.3 EXAMPLE HOUSE PRICES (IN CURRENT DOLLARS)

	Detached Bungalow[1]	Detached Two-Storey[2]
1978 June	75,000	105,000
1979 June	80,000	115,000
1980 June	88,000	125,000
1981 June	88,000	128,000
1982 July	90,000	127,000
1983 July	79,000	115,000
1984 July	73,500	102,000
1984 October	72,000	98,000

SOURCE: Royal Trust Survey of Canadian House Prices

[1]A 3-bedroom bungalow, with one car garage, 1½ bathroom and 111 sq. metres (1,200 square feet), 5-8 years old.

[2]A 4-bedroom two-storey with two car garage, 2½ bathrooms, fireplace, family room and is 186 sq. metres (2,000 square feet), 5-8 years old.

City of Edmonton

TABLE 3.4

MONTHLY CARRYING CHARGES - OWNERSHIP

	1978	1979	1980	1981	1982	1983	1984	1985[5]
House Prices[1]	$75,000	$80,000	$88,000	$88,000	$90,000	$78,000	$73,500	$72,000
Less 10% Downpayment	7,500	8,000	8,800	8,800	9,000	7,800	7,350	7,200
Mortgage Amount	67,500	72,000	79,200	79,200	81,000	70,200	66,150	64,800
High Ratio Insurance (@ 1.5%)	1,013	1,080	1,188	1,188	1,215	1,053	992	972
Total Mortgage Amount	68,513	73,080	80,388	80,388	82,215	71,253	67,142	65,772
Interest Rate	11.5%	14.5%	15.5%	21.5%	19.5%	12.6%	14.25%	12.5%
Monthly Payment[2]	$ 696	$ 908	$ 1,061	$1,447	$1,347	$ 777	$ 821	$ 717
Taxes[3]	71	71	71	71	71	71	71	71
Carrying Charge (per month)[4]	$ 767	$ 979	$ 1,132	$1,518	$1,418	$ 848	$ 892	$ 788

[1]Royal Trust Survey of Canadian House Prices, July of each year, Millwoods Detached Bungalow

[2]3-Year term amortized over 25 years.

[3]Assuming $850 annual taxes.

[4]Other costs such as utilities and maintenance are not included.

[5]Figures and interest rate as of January 1, 1985.

TABLE 3.5 MEDIAN HOUSEHOLD INCOME 1976-1984

Year	Median Income (in dollars)[1]	Consumer Price Index[2]
1976	N/A	62.9
1977	15,200	67.9
1978	17,800	73.9
1979	18,600	80.7
1980	22,200	88.9
1981	25,800	100.0
1982	27,300	110.8
1983	31,000	117.2
1984	30,000	122.3

SOURCE:

[1]Population Research Laboratory, University of Alberta, Median Household Income.

[2]Statistics Canada, Annual Average Index, all items.

TABLE 3.6 **CITY SECTOR DESCRIPTION OF HOUSING MARKET ACTIVITY**

Description	Inner City	Northeast	North	West	Southeast	Southwest
Population 1976[1]	241,560	87,390	34,270	55,955	13,345	38,485
Population 1984[1]	215,000	107,000	50,000	81,000	64,000	47,000
Percentage Change	-11.0	22.4	45.9	44.8	379.6	22.0
Average Price 1983[2]	N/A	$70,000	$75,000	$82,000	$72,000	$106,000
Percentage Change 1982-1983	N/A	-10.3	-6.3	-8.4	-7.6	-8.6
Housing Starts 1984[3]						
Single/Semi	65	73	401	561	177	468
GRM	0	0	23	56	35	0
Apt	11	0	0	0	0	0
Total	79	73	424	617	212	468
Share of 1984 housing starts	4%	4%	23%	33%	11%	25%
Vacant Single Lots[4]	N/A	393	1,177	1,636	2,144	1,291
Vacant Residential Land (Hectares)[5]	N/A	665	1,610	1,795	2,457	1,563

[1]Population figures are taken from Key Demographic Indicators 1984 Central = Districts 1, 2, 6, 9, 12; NE = 3, 4; NC = 5; W = 7, 8; SE = 11; SW = 10.

[2]Average price is for a single detached bungalow, Royal Trust Survey.

[3]Preliminary housing starts 1984.

[4]Subdivided and serviced lots for single family residential units Annual Staging Report 1983

[5]Raw land for residential purposes in authorized and/or approved Area Structure Plans.

PART 4 - FORECASTS

This part of the report presents housing forecasts and highlights key study findings and implications.

4.1 Housing Forecast

The housing starts forecast per year is as follows:

1985	2,000 units
1986	2,500 units
1987-1989	± 3900 units per year

These demographic-based housing starts projections are considerably lower than the annual average of 8,900 units achieved between 1976-1984 (Table 4.1). These forecasts are based on the rate of household formation detailed in Table 1.3 and assume a 4% vacancy rate and a 4% demolition rate. Figure 6 illustrates housing starts 1976-1989.

Actual housing starts could fluctuate considerably from year to year. In 1985 a number of factors combine to make a precise forecast difficult. The following assumptions were used in the housing starts forecast:

- Mortgage interest rates will remain stable in the range of 11-13%.
- Unemployment rates for Edmonton will remain high (averaging 13.5% in 1985).
- Population growth will be as forecasted in this report (576,100 in 1986).

Table 4.1 summarizes population and housing data and forecast for 1986 - 1989.

4.2 Distribution of Housing Starts

Housing starts in 1983 and 1984 shifted in emphasis away from the Inner City, the Northeast and the Southeast. Areas of increased growth were the West, Southwest and North. This shift is reflected in the distribution of total housing starts to City Sectors in Table 4.2 and illustrated in Figure 7.

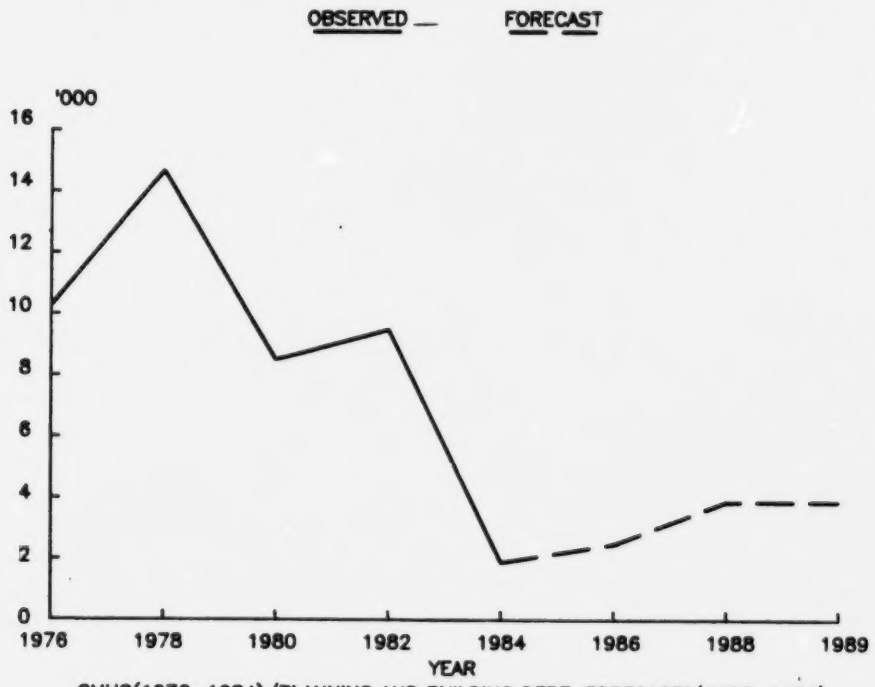
There has also been a distinct shift away from apartment and ground related multiple starts to single family/semi-detached starts (93% of total starts in 1984). This emphasis is expected to continue in 1985 and 1986 with more apartments and ground related multiples appearing in the 1987-1989 period (Figure 8).

4.3 Housing Price Forecast

Apartment rents declined in 1984 to $450 per month for an average two bedroom unit. Although vacancy rates have declined slightly to 9.5%, competition in the rental market and lack of in-migrants will continue to depress apartment rents. As the population bulge leaves the 20 - 30 year old age cohort, demand for rental accommodation will continue to be weak. Rental vacancy rates will remain high and rents can be expected to remain low for several years.

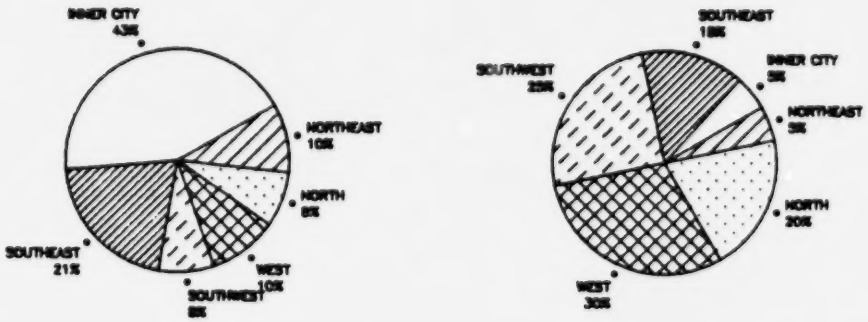
Ownership unit prices have declined continuously for the last 2½ years (-20%). Prices are expected to bottom out in early 1985. No forces can be identified which will increase house prices. Strong sales to listings ratio in 1984 indicate some stability may be returning.

FIGURE 6
HOUSING STARTS 1976–1989



CMHC(1976–1984)/PLANNING AND BUILDING DEPT. FORECASTS(1985–1989)

FIGURE 7
DISTRIBUTION OF HOUSING STARTS

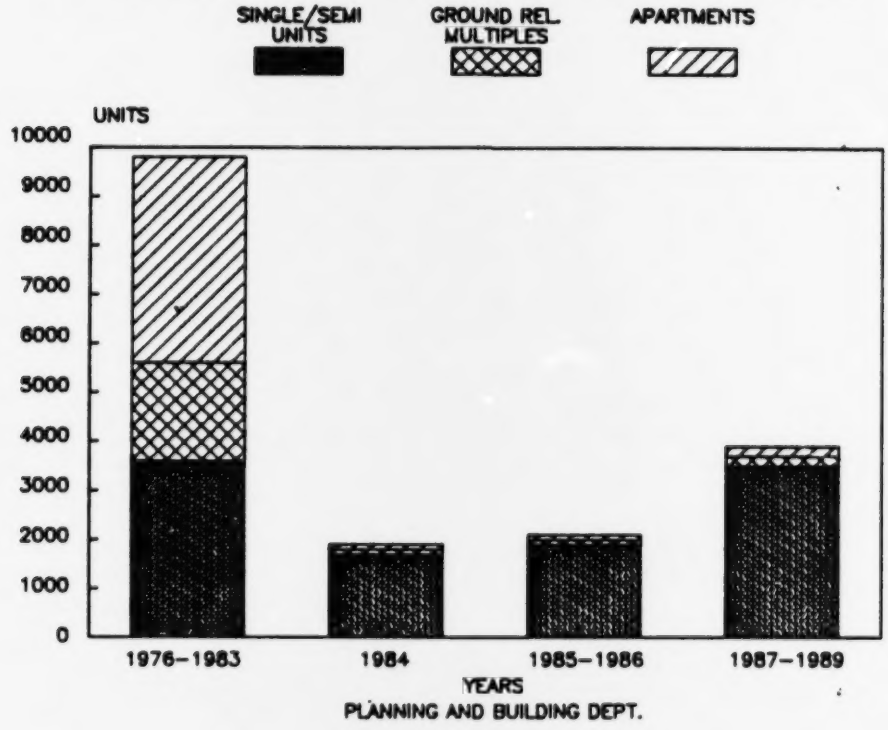


BUILDING PERMITS
1980–1983

PLANNING DEPT.

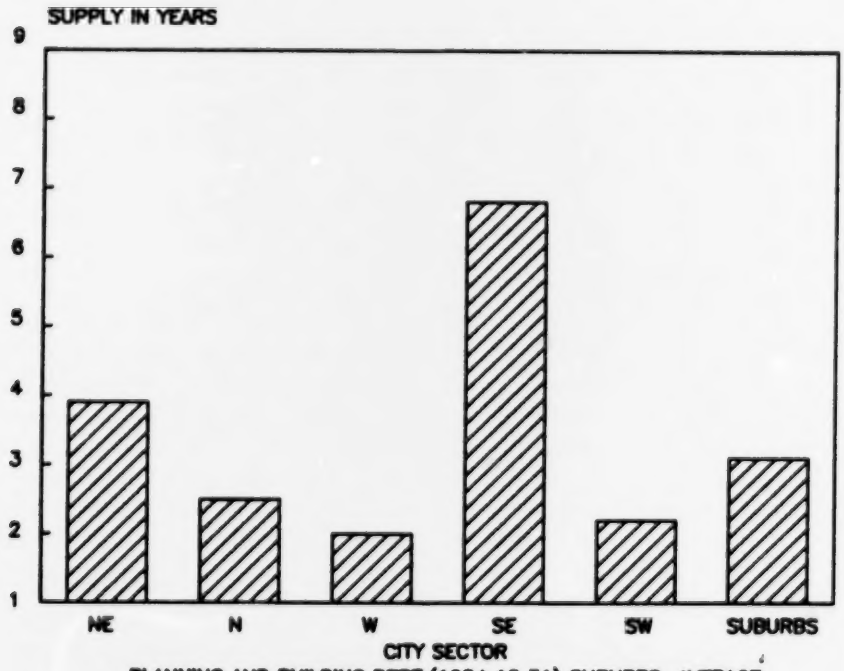
STARTS FORECAST
1984–1989

FIGURE 8
AVERAGE HOUSING STARTS AND MIX PER YEAR



PLANNING AND BUILDING DEPT.

FIGURE 9
SERVICED SINGLE–FAMILY LOT SUPPLY



PLANNING AND BUILDING DEPT.(1984 12 31) SUBURBS–AVERAGE

4.4 Residential Land Supply

The supply of residential land (serviced lots and unserviced 'raw' land), outlined in Section 2.6 is adequate to satisfy 13.8 years demand for single family/semi-detached units at forecasted growth rates. In addition to the land in Approved Area Structure Plans, a considerable amount of residential land exists in areas where ASP approval is being considered (Authorized Area Structure Plans).

The supply of land for ground related multiple and apartments in Approved ASPs is in excess of 20 years supply.

4.5 Serviced Land Supply Forecast

At forecasted growth rates, the supply of subdivided and serviced lots for single family semi-detached units ranges from 2.1 to 6.8 years' supply in the various City Sectors (see Table 4.3). This supply is adequate through 1986 (see Figure 9). At forecasted growth rates and present servicing rates, it can be expected that an increase in servicing rates will be required in some City Sectors by 1987.

4.6 Findings Summary

A summary of performance in the 1976-1983 and 1984 periods as well as a forecast of the housing market for 1985-1986 and 1987-1989 is provided in Table 4.3.

City of Edmonton

TABLE 4.1 POPULATION AND HOUSING FORECAST 1976-1989

Year	Average Population Increase	Housing Starts (per Year)
1976-1983	+14,000	9,861
1984	+ 4,000[1]	1,877
1985	+ 6,000[2]	2,000[2]
1986	+ 6,000[2]	2,500[2]
1987-1989	+ 6,500[2]	3,900[2]

SOURCE: Planning and Building Department

[1]Estimate

[2]Forecast

City of Edmonton

TABLE 4.2 **HOUSING STARTS FORECAST BY YEAR BY CITY SECTOR**

Sector[1]	1985	1986	1987-1989
Inner City	100	160	200
Northeast	100	160	200
North	400	490	800
West	600	710	1,150
Southwest	500	600	950
Southeast	300	380	600
CITY TOTAL[2]			
Singles	1,800	2,250	3,500
GRM	100	125	200
APT.	100	125	200
Total	2,000	2,500	3,900

SOURCE: Planning and Building Department Forecast

[1]Distribution based on observed distribution in 1984 starts and 1980 - 1982 building permits issued. See Map 1 for Sector definition.

[2]Single family/Semi Detached units, Ground Related Multiple units and Apartments.

City of Edmonton

TABLE 4.3 INVENTORY OF SERVICED RESIDENTIAL LAND
(in years)[1]

City Sector	Supply of Subdivided and Serviced Lots in Years[2]
NORTHEAST	
Single/Semi's	3.9
Ground Related Multiples	20+
Apartments	20+
NORTH	
Single/Semi's	2.4
Ground Related Multiples	20+
Apartments	20+
WEST	
Single/Semi's	1.9
Ground Related Multiples	20+
Apartments	20+
SOUTHWEST	
Single/Semi's	2.1
Ground Related Multiples	20+
Apartments	20+
SOUTHEAST	
Single/Semi's	6.8
Ground Related Multiples	20+
Apartments	20+
SUBURBAN TOTAL	
Single/Semi's	2.8
Ground Related Multiples	20+
Apartments	20+

SOURCE: Planning and Building Department

[1]As of December 31, 1984

[2]Calculated by dwelling type by dividing the potential units on subdivided and serviced lots (Column (1) in Table 2.3) by the average annual forecast of housing starts for 1985-86 (Table 4.2).

City of Edmonton

TABLE 4.4 **FINDINGS/IMPLICATIONS SUMMARY**

Time Period[1]	Findings[2]		Implications
1976-1983	Annual Population Growth	+14,000	
	Greatest Age Group Increase	20-30	
	Annual Housing Starts	9,860	
	Apartment Vacancy (1983)	9.5%	
	Persons Per Unit	2.89-2.63	
	Ownership Prices	up 20% to 1981, then down 13%	
1984	Annual Population Growth	4,000*	
	Greatest Age Group Increase	0-4*	
	Greatest Age Group Decrease	25-29*	
	Annual Housing Starts	1,877	
	Persons Per Unit	2.63*	
	Ownership Prices	Decrease 9%	
1985-1986	Annual Population Growth	+5,600	. adequate residential land supply
	Greatest Age Group Increase	30-34	. more redistricting, replot and infill emphasis
	Greatest Age Group Decrease	20-24	. primarily single family unit starts
	Annual Housing starts	2,000-2,500	. apartment rents remain soft
	Apartment Vacancy	8-10%	. condominium and RPL market remain soft
	Persons Per Unit	2.64	
	Ownership Prices	Stable	
1987-1989	Annual Population Growth	+6,500	. modest market expansion
	Greatest Age Group Increase	35-39	. modest ownership price increase
	Greatest Age Group Decrease	20-24	. possible emergence of upgraded market
	Annual Housing Starts	3,900	. apartment, ground-oriented multiple market will remain soft
	Apartment Vacancy	-	
	Persons Per Unit	2.60	
	Ownership Prices	Modest Increase	

[1] 1976-1984 figures are observed
1985-1994 figures are forecast

*Figures are estimated

HOUSING DATA SOURCES

	SOURCE	DATA
1.	Canada Mortgage and Housing Corporation	Housing Statistics Report (Monthly) - housing starts, under construction, completions, absorption rates and inventory of newly completed and unoccupied units Rental Vacancy Survey (Semi-Annually) - rental vacancy rates and average rental prices
2.	Statistics Canada	Census Data (Every 5 Years): - head of household by age cohort - family/non-family households New House Price Index (Monthly) - index of the price of new housing by land and building components
3.	City of Edmonton	Status of Residential Land Report (Annually): - building permits issued - inventory of vacant lots at various stages of approval by neighbourhood Annual Staging Report (Annually): - inventory of vacant lots and raw residential land - absorption rates and residential land supply in years Edmonton Demographic Profile (Periodically): - detailed population increase and profile data for the 12 Edmonton Districts - population projections for Edmonton to the year 2001 Residential Population Densities in Edmonton (Periodically): - persons per dwelling unit data for each land use districts by unit type Population Projections for the City of Edmonton 1984-2001 - population forecast including age distribution - migration, birth and death rates

4.	Royal Trust Realtor	Survey of Canadian House Prices (Quarterly): - average price data for several housing types in several neighbourhoods of Cities across Canada
5.	Population Research Laboratory - University of Alberta	Socio-Economic Survey (Annually): - population, income and shelter costs in Edmonton
6.	Clayton Research	Alberta Housing (Quarterly): - variety of housing data and analysis
7.	M. Doesburg Developments Ltd.	Doesburg Report (Quarterly): - supply of vacant residential lots and absorption rates for Edmonton on neighbourhoods
8.	Edmonton Real Estate Board	Multiple Listing Service Data (Monthly): - detailed listings, sales price and sales type data for MLS
9.	A. E. LePage	Canadian Real Estate - Market Survey (Annually): - analysis of real estate investment opportunities
10.	Province of Alberta Department of Planning	Residential Mortgage Foreclosures Data: Residential Construction Survey (Monthly) - housing starts, vacancy rates for urban places in Alberta

REFERENCES

Gruen, et al, Demographic Changes and Their Effects on Real Estate Markets in the 1980s Urban Land Institute, 1982

DEFINITIONS

Apartment	- A dwelling unit within a multiple unit development which does not have fairly direct access from grade or private outdoor amenity area. An example would be a high rise apartment with elevators or walk-up apartments.
Ground Oriented Multiple	- A dwelling unit within a multiple unit development which has fairly direct, non-mechanical access from grade and private outdoor amenity areas. Example dwellings could include a row or townhouse.
Single Family Dwelling	- Refers to a detached building, a building containing one dwelling unit; or a semi-detached building, a building where only two dwelling units are joined by a common party wall.

Source: General Municipal Plan, Volume II, Part VI

THE CITY OF Edmonton PLANNING AND BUILDING DEPARTMENT